

**Oakland County Community
Mental Health Authority
Auburn Hills, Michigan**

**Financial Statements
September 30, 2008 and 2007**

Oakland County Community Mental Health Authority

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Letter of Transmittal

History of the Oakland County Community Mental Health Authority

Public Act 54 of 1963

In 1963, the Michigan Legislature passed Public Act 54 that permitted counties to establish local, community-based mental health outpatient programs funded by the State and the county. The County of Oakland promptly took advantage of the new legislation, becoming the *first* county in the state of Michigan to establish a community mental health services board. The board held its first meeting on December 13, 1963. It is now one of 46 such boards covering the 83 counties of Michigan.

The Mental Health Code: Public Act 258 of 1974

The year 1974 saw the publication of the first Michigan Mental Health Code, also known as P.A. 258. Under the code, a county or combination of counties could elect to establish a CMH program, operated under the auspices of a community mental health board consisting of 12 members appointed by the county commissioners for three-year overlapping terms. The statute required each CMH board to submit an annual plan and budget to the Department of Mental Health for approval. The required state financing was changed to an appropriation of 90 percent state funds with the counties responsible for the remaining ten percent.

With the rise of community-based care, the primary responsibility for providing that care shifted from the State to the CMHs. This transition occurred in stages. In 1981, the then Michigan Department of Mental Health (MDMH) began offering CMHs “shared management” contracts whereby CMH shared responsibility with the State for planning and coordinating public mental health services. The MDMH also began offering “full management” contracts wherein the entire responsibility for providing public mental health services was shifted to the CMHs. This movement began in 1981 with four full management contracts. Oakland County was one of the *last* to sign a full management contract with the State. Oakland County entered into its first full management contract in 1994. Full management offered “trade off” dollars to build the local CMH budget because the funds that were used to support individuals in institutions were transferred to the CMH, which could then use any savings from consumers who moved into the community at less cost than the state facility rates.

The Revised Mental Health Code: Public Act 290 of 1995

An extensive revision to the Mental Health Code was undertaken in 1995 with Public Act 290 of 1995, which took effect March 28, 1996.

There were four major categories of changes in the revisions to the Mental Health Code:

1. Creation of a Mental Health Authority
2. Improved accountability of system (e.g., certification/accreditation and person centered planning)
3. Significant increase in consumer involvement as demonstrated by the requirement of 1/3 consumers on all CMH boards, as well as on the state advisory council
4. Inclusion of a new chapter regarding due process for recipient rights, including provisions for both local and appeals

Under the revisions, Community Mental Health Services Programs could be organized as:

- A county CMH *agency*, which is an existing community mental health board that does not elect to convert itself into a community mental health organization or authority; or a CMH *organization* which is a joint enterprise created by two or more counties under P.A. 7 of 1967, the Urban Cooperation Act, that legally separates the entities from the counties that establish it. An organization is similar to an authority except that it is not available for single county boards and it does not have the same limit to local funding or a CMH *authority*.
- A CMH *authority* is still a governmental entity but is legally separate from the county or counties that establish it. All employees are employees of Oakland CCMHA and not the county. Oakland CCMHA must be certified by the Michigan Department of Community Health (MDCH) and it can exercise powers not accorded to CMH agencies, such as: acquiring, owning, operating, maintaining, leasing, or selling real or personal property; and acquiring, constructing, maintaining, or operating buildings or improvements.

The Board

On January 1, 1999, the Oakland County Community Mental Health Services Program became an Authority pursuant to an enabling resolution passed by the Oakland County Board of Commissioners in October 1998.

The current Oakland County Community Mental Health Authority Board is made up of 12 members appointed to staggered three-year terms so that four members' terms expire each year.

Medicaid History

In the state of Michigan, Medicaid was billed on a fee for service (FFS) basis throughout the mid-1980s until October 1998. The next phase in the devolution of responsibility from the State to the local level occurred in fiscal year 1998-1999 when the State implemented a 1915 (b) waiver in combination with an existing 1915 (c) waiver obtained from the Health Care Financing Administration (HCFA) for managed care for Medicaid enrollees in Michigan. The State carved out most of the mental health benefits and developmental disabilities services to the CMHs from the health plans delivering medical services. The CMHs signed a new kind of contract with the State for this carve out termed a Managed Specialty Services and Supports contract and accepted capitated funding for this managed care program. This Medicaid waiver and resultant contract provides for much greater flexibility in the delivery of services and supports to consumers. This managed care plan is based on the Michigan requirement for person-centered planning, does not allow for waiting lists for the service system, and maintains a "carve out" for specialty services/supports for the populations served under the Mental Health Code.

In 1998, CMHs were referred to as Pre-Paid Health Plans (PHPs) in the "carve out" and this term was maintained through the October 2000 contract renewal process. In 2002, CMH's were required to submit an Application for Participation (AFP) for scoring by the Michigan Department of Community Health in order to be considered eligible to qualify as an entity (PIHP, Prepaid Inpatient Health Plan) capable of administering the managed specialty services/supports under the waiver program.

One of the AFP requirements mandated a minimum number of Medicaid eligibles (20,000) in the respective catchment areas in order to submit an AFP. Oakland County CMH Authority qualified with 75,000 Medicaid eligibles and was awarded a successful score of 100 percent on its AFP and is today one of 18 PIHPs in Michigan.

In October 2003 Oakland CCMHA became responsible for the Adult Benefit Waiver program for which it received capitation payments from the state.

In January 2004, under the requirement of the Balanced Budget Act of 1999, the Medicaid capitation methodology was revised to meet actuarial soundness requirements.

Independent Auditors' Report

To the Board
Oakland County Community Mental Health Authority
Auburn Hills, Michigan

We have audited the accompanying financial statements of the business-type activities of Oakland County Community Mental Health Authority as of and for the years ended September 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Oakland CCMHA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Oakland County Community Mental Health Authority as of September 30, 2008 and 2007 and the changes in financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board
Oakland County Community Mental Health Authority
Auburn Hills, Michigan

Our audit was conducted for the purpose of forming opinions on Oakland County Community Mental Health Authority's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated February 23, 2009 on our consideration of Oakland County Community Mental Health Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant, agreements, and other matters in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

February 23, 2009

Oakland County Community Mental Health Authority

Management's Discussion and Analysis

Analysis of Financial Operations for FY 2008

Oakland County Community Mental Health Authority has completed its operations for FY 2008, The results of which are contained in this set of audited financial statements. During FY 2008, Oakland CCMHA continued to operate as a financially strong organization with enough resources and efficiencies to once again devise creative ways of enhancing and expanding services to the individuals we serve. Oakland CCMHA, in partnership with our Core Provider Agencies, expanded and enhanced a variety of services including the following:

- Consumer housing initiative
- Dental
- Case management services
- Community living supports
- Additional outpatient clinical services
- Expanded clubhouse and peer delivered services
- Centralized access
- Direct care wage increase
- Employment initiative
- Geriatric services

Oakland CCMHA continues to place emphasis on core financial activities and strategies to ensure current and future economic stability, appropriate allocation of resources across our network of providers, and efficient and effective use of the resources allocated. Some of these activities and strategies include:

- Internal controls over accounting and other fiscal activities
- Annual budget development and monitoring
- Contract and fiscal monitoring of Core Provider Agencies
- Utilization management strategies
- Cost Integrity Group cost analyses and strategies
- Extensive review and analysis of internal and external financial information
- Advocate for appropriate revenue allocation to Oakland CCMHA from the State and monitor revenues and contract compliance
- Management practices enhanced by access to ever improving data history and analytical reporting tools
- Investment strategies in accordance with our approved investment policy
- Quality assessment strategies

This emphasis helped Oakland CCMHA increase its organizational net assets to almost \$34 million.

Oakland County Community Mental Health Authority

Management's Discussion and Analysis (Continued)

Financial Statements

Oakland CCMHA's financial statements include three statements: a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities of Oakland CCMHA, including resources held by Oakland CCMHA but restricted for specific purposes by contributors, grantors, or enabling legislation. All of these statements compare FY2008 results with FY2007 results. Major changes in results are explained in the following sections.

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Fund Net Assets

The presentation of Oakland CCMHA's audited financial statements begins on page 11. The statement of net assets presents information about the resources and obligations of Oakland CCMHA as of September 30, 2008. This statement includes all restricted and unrestricted assets and all liabilities. The statement of revenues, expenses, and changes in fund net assets presents the accumulated totals of all the revenue and expense transactions occurring during FY2008. Oakland CCMHA uses the accrual basis of accounting, which means all of the FY2008 revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report Oakland CCMHA's net assets and changes in them. You can think of Oakland CCMHA's net assets - the difference between assets and liabilities - as one way to measure Oakland CCMHA's financial health, or financial position. Over time, increases or decreases in Oakland CCMHA's net assets are one indicator of whether its financial health is improving or deteriorating.

Statement of Net Assets

The statement of net assets is a statement that shows the financial position of an organization at a particular point in time. When total assets exceed total liabilities the difference is expressed as net assets. Condensed financial information and explanations for accounts with significant variances from the prior years (see page 11 and 12) are provided below:

Net Assets (in thousands)			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:			
Other assets	\$ 45,058	\$ 35,372	\$ 43,423
Capital assets - Net	8,730	4,633	4,782
Total assets	53,788	40,005	48,205
Liabilities:			
Other liabilities	13,289	10,134	19,848
Long-term liabilities	6,698	1,923	2,257
Total liabilities	19,987	12,057	22,105
Net assets:			
Restricted	6,252	3,781	6,453
Invested in capital assets - Net of debt	2,486	2,376	2,205
Unrestricted	25,063	21,791	17,442
Total net assets	\$ 33,801	\$ 27,948	\$ 26,100

Oakland County Community Mental Health Authority

Management's Discussion and Analysis (Continued)

Cash and Investments, combined, increased \$7,962,824 in Fiscal Year (FY) 2008 from FY 2007 largely as a result of positive operating results in FY 2008. Cash and Cash Equivalents increased \$2,310,139 (see Statement of Cash Flows below). Investments increased \$5,652,685. Prior to the deferral of General Fund (GF) revenue to carry forward into FY 2009, and prior to the contribution of Medicaid revenue to the Internal Service Fund (ISF), total revenues exceeded total expenses by \$7,288,582. Increased Medicaid funding in FY 2008 is the main reason why FY 2008 revenues exceeded expenses.

Accounts Receivable decreased \$91,306 in FY2008 from FY 2007. This represents a small reduction in the funds due from providers from FY 2007 to FY 2008.

Due from/to Other Funds increased \$604,262 in FY2008 from FY 2007 and consists of a \$2,375,290 contribution of FY 2008 Medicaid revenue in excess of expense from the enterprise fund (general operations) to the Medicaid ISF.

Due from State increased \$312,589 in FY 2008 from FY 2007 due largely to a similar increase in the FY 2008 HAB Support Waiver accrued account receivable at fiscal-year-end (FYE) over the FYE 2007 accrued amount.

Restricted Cash increased \$1,003,314 in FY 2008. Oakland CCMHA did not hold any restricted cash in FY 2007. The Restricted Cash is the remaining, unspent proceeds from the Oakland County Building Authority bond issue of \$5.5 million (see Capital Assets below).

Capital Assets increased \$4,096,912 in FY 2008 due to the purchase of 18 residential homes for use by Oakland CCMHA consumers for the total cost of \$4.5 million. Proceeds from the Oakland County Building Authority bond issuance were used to purchase these homes (see Restricted Cash above).

Accounts Payable increased \$1,066,723 in FY 2008 from FY 2007. This increase is largely due to accrued cost settlement amounts to reimburse core providers for costs in excess of funded amounts as allowed per contract.

Due to the State increased \$621,057 in FY 2008 from FY 2007 partially because of a per diem rate increase in state facility costs and also because of delays in the receipt of invoices from the state.

Capital Lease Payable combined with the **Current Portion – Capital Lease Payable**, increased \$5,325,000 in FY 2008 from FY 2007. This is the principal amount due to the Oakland County Building Authority for the bond issue proceeds related to the Oakland CCMHA purchase of 18 residential homes in FY 2008 as a capital lease agreement (see Capital Assets above).

Deferred Revenue increased \$509,588 in FY 2008 from FY 2007. This increase is the change in the amount of GF carry forward from the prior fiscal year.

Oakland County Community Mental Health Authority

Management's Discussion and Analysis (Continued)

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents information showing how Oakland CCMHA's net assets changed during FY 2008. Oakland CCMHA receives the bulk of its revenues from Medicaid capitation payments, state General Funds, and Oakland County local match payments. These revenue sources account for approximately 99% of Oakland CCMHA's revenues. The report can help identify potential problem areas that should be addressed by management. Condensed financial information and explanations for accounts with significant variances from the prior years are provided below:

Changes in Net Assets (in thousands)				
		<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:				
Medicaid		\$205,982	\$194,231	\$183,847
State General Funds		48,699	45,312	50,786
Other capitated		2,199	2,249	2,055
Local		9,799	9,384	9,908
Grants		1,442	1,452	1,074
Total revenues		268,121	252,628	247,670
Expenses:				
Administrative		9,373	9,321	9,220
Providers of services		215,733	207,543	202,229
State facilities		8,265	6,349	7,517
Other		29,167	28,797	29,732
Depreciation		429	279	245
Total expenses		262,967	252,289	248,943
Nonoperating revenues - Net		699	1,508	1,596
Change in net assets		<u>\$ 5,853</u>	<u>\$ 1,847</u>	<u>\$ 323</u>

Medicaid Revenues increased \$11,769,243 (6%) in FY 2008 from FY 2007 due to the combined effect of an increase in the number of persons deemed eligible for Medicaid in Oakland County in FY 2008 and an increase in the Medicaid rates for FY 2008 over FY 2007. This increase in Medicaid revenue for FY 2008 resulted in \$2,375,290 of revenues in excess of expenses which were then contributed to the Medicaid ISF for use in future years.

State General Fund Revenue increased \$3,386,857 in FY 2008 from FY 2007 due largely to the increase in State Facility revenues from increased state per diem rates, and due to the transferring of state rent payment revenue to Oakland CCMHA for the 18 residential homes purchased during FY 2008.

Administration Expenses remained relatively unchanged in FY 2008 from FY 2007. Administrative expenses represent 3.56% of the total operating expenses of Oakland CCMHA for FY 2008 which is down from 3.69% in FY 2007.

Oakland County Community Mental Health Authority

Management's Discussion and Analysis (Continued)

Providers of Services Expenses increased \$6,122,479 in FY 2008 from FY 2007 due to the cost of three component causes:

- Economic increases passed on to the core provider network by Oakland CCMHA,
- Increases in the number of persons served,
- Program enhancements implemented by the core provider network as directed by Oakland CCMHA.

These economic increases and enhancements were instituted to maintain and enhance the quality of services provided.

State Facilities Expenses increased \$1,915,965 in FY 2008 from FY 2007. This is a 30% increase in total cost over FY 2007. The increase in cost is due to a 25% per diem rate increase from the state combined with a 5% increase in the numbers of days used.

Other Expenses increased \$2,437,000 in FY 2008 from FY 2007 as a result of economic increases in non-core provider contracts (in the Purchased Care Services line item) and the Oakland CCMHA's effort to provide additional services and enhance community inclusion.

Non-Operating Revenues – Net decreased \$728,944 in FY 2008 from FY 2007 due to reduced interest income, as a direct result of the worsening economy, and due to increased interest expense as debt service to support the purchase of the 18 residential homes.

Statement of Cash Flows

Cash and Cash Equivalents increased \$2,310,139 in FY 2008 from FY 2007. The following components explain the increase in FY 2008:

- The cash received from the State and other governments exceeded cash paid to suppliers and employees by \$6,768,489 during FY 2008. This is the amount of cash provided by operating activities.
- Net cash flows related to the purchase and financing of the 18 residential homes increased cash by \$116,957. The proceeds from the bond issued by the Oakland County Building Authority were almost completely offset in FY 2008 by the purchase of the homes and debt service on the capital lease obligation.
- Net Cash Flows from Investing Activities decreased cash by \$4,575,307. Oakland CCMHA used cash to make net investments of \$5,652,685. Offsetting the outflow of cash invested was the inflow of \$1,077,378 earned on investments during FY 2008.

Fiscal Year 2009

Significant events planned for FY2009:

- Enhancing the costing of services for consumers in Oakland County.

Oakland County Community Mental Health Authority

Management's Discussion and Analysis (Continued)

- With our provider network, designing and developing processes and systems to provide individual budgets and costs reporting for our consumers.
- Designing, developing and implementation of an electronic, centralized medical records system.
- Using data to improve outcomes for consumers served improve clinical practices and administrative processes.
- Implement our utilization management program that certifies Core Provider Agencies as Certified Utilization Management Agencies (CUMA).
- Continue to monitor and improve centralized access to ensure citizens have more uniform access to the mental health system as well as existing Community resources.
- Refine and enhance fiscal monitoring efforts and systems to continue to improve the quality of financial information at Oakland CCMHA and our Core Provider Agencies.
- Create contingency plans for potential future reductions in funding from the State.
- Planning for FY2009 funding issues.
- Developing a strategic plan that moves Oakland CCMHA's Mission, vision, and values into every day practice, including the development of funding strategies to support the mission.

Oakland CCMHA remains optimistic about its ability to be competitive in the coming years. A critical part of the continued health of Oakland CCMHA is to:

- Develop and implement consistent utilization management practices.
- Continuously look for ways to create efficiencies and improve outcomes for the consumers we serve.
- Ensure that consumers have access to necessary community services.
- Use of risk assessment and risk management strategies in development, monitoring and management of the annual plan and budget.
- Ensure a balanced budget for Oakland CCMHA and its Core Providers.
- Look for ways to maximize sources of revenue and seek out additional community supports for consumers.

Oakland CCMHA is a fiscally stable, efficient, and programmatically effective organization that focuses its resources on the most important aspects of our mission, supporting the advancement of social equity and improved quality of life for adults with serious mental illness, children with serious emotional disturbances, and people with developmental disabilities. We are proud of the progress this organization has made since becoming an authority in 1999. It is our goal to keep building on this success for this year and many years to come.

Contacting the Oakland County Community Mental Health Authority

This financial report is designed to provide all interested parties with an overall picture of the financial condition of the Oakland County Community Mental Health Authority and to show accountability for the money it receives. If you have any questions regarding the content of this report, please contact:

Budget and Finance
201 I Executive Hills Blvd.
Auburn Hills, MI 48326
1-248-858-1210

Oakland County Community Mental Health Authority

	2008 Business-type Activities		
	CMH Operations	Internal Service	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 12,204,075	\$ 3,867,629	\$ 16,071,704
Investments	21,146,861	-	21,146,861
Accounts receivable	2,241,197	-	2,241,197
Due from other funds	-	2,375,290	2,375,290
Due from primary government	-	-	-
Due from state	1,412,423	-	1,412,423
Interest receivable	125,418	9,242	134,660
Prepaid expenses	672,076	-	672,076
Total current assets	37,802,050	6,252,161	44,054,211
Restricted cash	1,003,314	-	1,003,314
Capital assets (net of accumulated depreciation of \$1,335,309 in 2008 and \$945,314 in 2007)	8,730,103	-	8,730,103
Total assets	\$ 47,535,467	\$ 6,252,161	\$ 53,787,628
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 4,295,116	\$ -	\$ 4,295,116
Due to other funds	2,375,290	-	2,375,290
Due to State	3,688,852	-	3,688,852
Due to County	278,716	-	278,716
Accrued payroll and benefits	287,903	-	287,903
Accrued interest	71,857	-	71,857
Accrued compensated absences	209,888	-	209,888
Current portion - Mortgage payable	349,969	-	349,969
Current portion - Capital lease payable	200,000	-	200,000
Deferred revenue	1,531,468	-	1,531,468
Total current liabilities	13,289,059	-	13,289,059
Mortgage payable - Net of current portion	1,573,046	-	1,573,046
Capital lease payable - Net of current portion	5,125,000	-	5,125,000
Total liabilities	19,987,105	-	19,987,105
Net assets:			
Invested in capital assets - Net of related debt	2,485,402	-	2,485,402
Restricted	-	6,252,161	6,252,161
Unrestricted	25,062,960	-	25,062,960
Total net assets	27,548,362	6,252,161	33,800,523
Total liabilities and net assets	\$ 47,535,467	\$ 6,252,161	\$ 53,787,628

See Notes to Financial Statements.

Statements of Net Assets - Proprietary Funds
September 30, 2008 and 2007

2007		
Business-type Activities		
CMH Operations	Internal Service	Total
\$ 8,246,220	\$ 5,515,345	\$ 13,761,565
15,494,176	-	15,494,176
2,332,503	-	2,332,503
1,771,028	-	1,771,028
17,184	11,907	29,091
1,099,834	-	1,099,834
130,190	24,557	154,747
728,552	-	728,552
29,819,687	5,551,809	35,371,496
-	-	-
4,633,191	-	4,633,191
\$ 34,452,878	\$ 5,551,809	\$ 40,004,687
\$ 3,228,393	\$ -	\$ 3,228,393
-	1,771,028	1,771,028
3,067,795	-	3,067,795
225,312	-	225,312
226,341	-	226,341
62,149	-	62,149
197,259	-	197,259
334,195	-	334,195
-	-	-
1,021,880	-	1,021,880
8,363,324	1,771,028	10,134,352
1,923,016	-	1,923,016
-	-	-
10,286,340	1,771,028	12,057,368
2,375,980	-	2,375,980
-	3,780,781	3,780,781
21,790,558	-	21,790,558
24,166,538	3,780,781	27,947,319
\$ 34,452,878	\$ 5,551,809	\$ 40,004,687

Oakland County Community Mental Health Authority

	2008 Business-type Activities		
	CMH Operations	Internal Service	Total
Operating revenues:			
Medicaid:			
Medicaid - capitated	\$ 204,517,040	\$ -	\$ 204,517,040
Medicaid - child waiver (fee for service)	1,464,554	-	1,464,554
State General Funds:			
State general fund	41,999,654	-	41,999,654
State facilities	6,192,015	-	6,192,015
Categorical	507,394	-	507,394
Other capitated:			
Adult benefit waiver	2,065,575	-	2,065,575
MI child	133,936	-	133,936
Local:			
Transfer from Oakland County	9,620,616	-	9,620,616
Title XX	75,410	-	75,410
Other revenue	102,739	-	102,739
Grants:			
OBRA reimbursement	544,085	-	544,085
Grant revenue	898,005	-	898,005
Total operating revenues	268,121,023	-	268,121,023
Operating expenses:			
Program expenses:			
Administrative	9,373,470	-	9,373,470
Providers of services:			
Macomb Oakland Regional Center	122,082,336	-	122,082,336
Training and Treatment Innovations	16,566,294	-	16,566,294
Easter Seals	28,650,731	-	28,650,731
Common Ground Sanctuary	8,896,773	-	8,896,773
Community Housing Network	5,592,884	-	5,592,884
Community Network Services	28,619,494	-	28,619,494
Community Living Services	5,324,732	-	5,324,732
State facilities	8,264,790	-	8,264,790
Community hospitals	9,880,010	-	9,880,010
Substance abuse	1,828,404	-	1,828,404
Purchased care services	2,696,661	-	2,696,661
Grants	898,005	-	898,005
Local match transfer - Medicaid drawdown	2,377,120	-	2,377,120
Quality Assurance Assessment (QAAP)	11,486,763	-	11,486,763
Non-program expenses - Depreciation	429,017	-	429,017
Total operating expenses	262,967,484	-	262,967,484
Operating income (loss)	5,153,539	-	5,153,539
Nonoperating revenues (expense):			
Investment income	942,154	115,137	1,057,291
Interest expense	(357,626)	-	(357,626)
Total nonoperating revenues	584,528	115,137	699,665
Income before transfers	5,738,067	115,137	5,853,204
Transfers	(2,356,243)	2,356,243	-
Change in net assets	3,381,824	2,471,380	5,853,204
Net Assets - Beginning of year	24,166,538	3,780,781	27,947,319
Net Assets - End of year	\$ 27,548,362	\$ 6,252,161	\$ 33,800,523

See Notes to Financial Statements.

**Statements of Revenues, Expenses, and Changes
in Fund Net Assets - Proprietary Funds
For the Years Ended September 30, 2008 and 2007**

CMH Operations	2007 Business-type Activities	
	Internal Service	Total
\$ 192,965,715	\$ -	\$ 192,965,715
1,265,683	-	1,265,683
40,391,742	-	40,391,742
4,419,670	-	4,419,670
500,794	-	500,794
2,114,882	-	2,114,882
134,323	-	134,323
9,620,616	-	9,620,616
75,409	-	75,409
(312,611)	-	(312,611)
508,647	-	508,647
943,326	-	943,326
252,628,196	-	252,628,196
9,321,009	-	9,321,009
118,576,086	-	118,576,086
15,676,281	-	15,676,281
29,049,049	-	29,049,049
7,867,727	-	7,867,727
5,156,052	-	5,156,052
27,960,838	-	27,960,838
3,257,260	-	3,257,260
6,348,825	-	6,348,825
9,527,393	-	9,527,393
1,914,462	-	1,914,462
2,628,219	-	2,628,219
943,326	-	943,326
2,377,121	-	2,377,121
11,406,621	-	11,406,621
278,738	-	278,738
252,289,007	-	252,289,007
339,189	-	339,189
1,426,289	194,869	1,621,158
(112,817)	-	(112,817)
1,313,472	194,869	1,508,341
1,652,661	194,869	1,847,530
2,867,389	(2,867,389)	-
4,520,050	(2,672,520)	1,847,530
19,646,488	6,453,301	26,099,789
\$ 24,166,538	\$ 3,780,781	\$ 27,947,319

Oakland County Community Mental Health Authority

	2008		
	Business-type Activities		
	CMH Operations	Internal Service	Total
Cash Flows from Operating Activities			
Cash receipts from the State and other governments	\$ 267,423,198	\$ 11,907	\$ 267,435,105
Cash payments to suppliers	(253,769,350)	-	(253,769,350)
Cash payments to employees	(6,897,266)	-	(6,897,266)
Net cash provided by (used in) operating activities	6,756,582	11,907	6,768,489
Cash Flows from Noncapital Financing Activities -			
Transfers from (to) other funds	1,790,075	(1,790,075)	-
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(4,525,929)	-	(4,525,929)
Proceeds from issuance of capital lease payable	5,500,000	-	5,500,000
Principal payments on long-term debt	(509,196)	-	(509,196)
Interest expense	(347,918)	-	(347,918)
Net cash used in capital and related financing activities	116,957	-	116,957
Cash Flows from Investing Activities			
Investment income	946,926	130,452	1,077,378
Net sale of investments	(5,652,685)	-	(5,652,685)
Net cash provided by investing activities	(4,705,759)	130,452	(4,575,307)
Net Increase in Cash and Cash Equivalents	3,957,855	(1,647,716)	2,310,139
Cash and Cash Equivalents - Beginning of year	8,246,220	5,515,345	13,761,565
Cash and Cash Equivalents - End of year	\$ 12,204,075	\$ 3,867,629	\$ 16,071,704
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 5,153,539	\$ -	\$ 5,153,539
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	429,017	-	429,017
Changes in operating assets and liabilities:			
Accounts receivable	91,306	-	91,306
Due from governments	(1,298,719)	11,907	(1,286,812)
Prepayments and other assets	56,476	-	56,476
Accounts payable	1,066,723	-	1,066,723
Due to governments	674,461	-	674,461
Accrued liabilities	74,191	-	74,191
Deferred revenue	509,588	-	509,588
Net cash provided by (used in) operating activities	\$ 6,756,582	\$ 11,907	\$ 6,768,489

See Notes to Financial Statements.

**Statements of Cash Flows - Proprietary Funds
For the Years Ended September 30, 2008 and 2007**

2007		
Business-type Activities		
CMH Operations	Internal Service	Total
\$ 251,231,961	\$ -	\$ 251,231,961
(248,928,556)	-	(248,928,556)
(6,820,054)	-	(6,820,054)
(4,516,649)	-	(4,516,649)
(5,345,033)	5,345,033	-
(130,263)	-	(130,263)
(319,132)	-	(319,132)
(121,603)	-	(121,603)
(570,998)	-	(570,998)
1,416,215	170,312	1,586,527
2,961,987	-	2,961,987
4,378,202	170,312	4,548,514
(6,054,478)	5,515,345	(539,133)
14,300,698	-	14,300,698
\$ 8,246,220	\$ 5,515,345	\$ 13,761,565
\$ 339,189	\$ -	\$ 339,189
278,738	-	278,738
(889,345)	-	(889,345)
960,359	-	960,359
(156,159)	-	(156,159)
(1,602,463)	-	(1,602,463)
(1,948,244)	-	(1,948,244)
(31,475)	-	(31,475)
(1,467,249)	-	(1,467,249)
\$ (4,516,649)	\$ -	\$ (4,516,649)

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note I - Summary of Significant Accounting Policies

The fund financial statements of Oakland County Community Mental Health Authority (Oakland CCMHA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of Oakland CCMHA's accounting policies are described below.

A. Reporting entity

Oakland CCMHA, which is a governmental organization, was created under an agreement as authorized by Public Act 267 of 1976 for the purpose of providing services related to the mental health and developmental disability needs of Oakland County residents. Oakland CCMHA's activities are funded through state allocations, federal grants, county appropriations, service fees, and local gifts and grants. Oakland CCMHA's financial statements are included in the County of Oakland's ("County") Comprehensive Annual Financial Report for the year ended September 30, 2008 and 2007 as a discretely presented component unit.

Oakland CCMHA receives its revenues through state allocations as follows:

	Percent	
	2008	2007
General Fund	18	18
Medicaid	77	77
	95	95

B. Financial statement presentation

In 2002, Oakland CCMHA adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Under GASB 34, Oakland CCMHA is classified as a special purpose government and is required to present statements required for Enterprise Funds.

Oakland CCMHA has one Internal Service Fund (Operating Risk Management Fund) and an Enterprise Fund (CMH Operating Fund). Since the measurement focus/basis of accounting is similar between Enterprise and Internal Service Funds, a government-wide financial statement and fund financial statement would present duplicate information, therefore, a separate government-wide statement has not been presented.

C. Fund accounting

The accounts of Oakland CCMHA are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note I - Summary of Significant Accounting Policies (Continued)

C. Fund accounting (continued)

Proprietary Funds

Enterprise Fund - The CMH Operations Fund is used to account for those activities that are financed and operated in a manner similar to private business or where Oakland CCMHA has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. There is one Enterprise Fund of Oakland CCMHA which accounts for its general operations.

Internal Service Fund - The Operating Risk Management Fund is Oakland CCMHA's Internal Service Fund. As allowed by the Michigan Department of Community Health, it accounts for amounts allowed to be charged to current State funding contracts and transferred from the Operations Fund based on expected future excess actual costs over and above future contract costs for Medicaid and General fund client populations.

D. Basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The Proprietary Funds are accounted for on a cost of services or economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net assets. Proprietary fund type operating statements present increases (revenues) and decrease (expenses) in net total assets.

E. Financial statement presentation

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of Oakland CCMHA's Enterprise Fund and Internal Service Fund are charges to customers from services. Operating expenses for the Enterprise and Internal Service Funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash and cash equivalents

Cash and cash equivalents include depository accounts, and institutional money market accounts. For cash flow purposes, Oakland CCMHA considers short-term investments with a maturity date of less than 90 days at the time of acquisition to be cash and cash equivalents.

G. Investments

Investments are stated at fair value, which approximates cost.

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note I - Summary of Significant Accounting Policies (Continued)

H. Interfund receivables/payables

During the course of operations, transactions occur between individual funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the statement of net assets.

I. Accounts receivable

Uncollectible receivables are expected to be immaterial and no allowance has been reserved.

J. Prepaid expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in the accompanying statement of net assets.

K. Restricted Cash

Restricted cash represents unspent bond proceeds on hand at the Oakland County Building Authority for bonds issued pursuant to a project undertaken jointly by Oakland County and Oakland CCMHA for the acquisition and sublease of residential facilities by Oakland CCMHA from the County (Note 7). The cash is restricted for further group home acquisitions at Oakland CCMHA’s direction or the debt service on the bonds. Since Oakland CCMHA is responsible for the debt service on the entire bond issue via the sublease payments, the unspent bond proceeds have been recorded by Oakland CCMHA as restricted cash.

L. Capital assets

Assets purchased whose value exceeds \$5,000 are capitalized and reported in the Proprietary Fund types. All purchased fixed assets are recorded at cost. Donated capital assets, if any, are valued at their estimated fair value on the date received. Capital assets are being depreciated on a straight-line basis over estimated useful lives of 5 to 30 years.

M. Restricted net assets

The Internal Service Fund assets are restricted for future uninsured losses as defined by state funding requirements.

N. Compensated absences

Oakland CCMHA provides for compensated absences. Accumulated compensated absences are accrued when incurred.

O. Governmental Accounting Standards Board Statement 20

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, Oakland CCMHA has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 to its Proprietary Funds.

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

P. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The captions on the financial statements for the deposits and investment accounts are as follows:

	Deposits	
	2008	2007
Cash and cash equivalents	\$ 16,071,704	\$ 13,761,565
Restricted cash - on hand at Oakland County	1,003,314	-
Investments	21,146,861	15,494,176
	<u>\$ 38,221,879</u>	<u>\$ 29,255,741</u>

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. Oakland CCMHA is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Oakland CCMHA has currently designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the items listed above except mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Oakland CCMHA's deposits and investment policies are in accordance with statutory authority.

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 2 - Deposits and Investments (Continued)

Oakland CCMHA's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, Oakland CCMHA's deposits may not be returned to it. Oakland CCMHA's deposit policy for custodial credit risk is that all securities transactions, except certificates of deposits, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third-party custodian, as designated by Oakland CCMHA, and shall be evidenced by a safekeeping receipt. Non-collateral, non-negotiable certificates of deposits, as allowed under Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank. At year end, Oakland CCMHA had \$16,138,056 of bank deposits (money market, checking, and savings accounts) that were uninsured and uncollateralized. Oakland CCMHA believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Oakland CCMHA evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The restricted cash is on hand at Oakland County and its custodial credit risk information is not available.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, Oakland CCMHA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Oakland CCMHA's policy for custodial credit risk is that all securities transactions, except certificates of deposits, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian, as designated by Oakland CCMHA, and shall be evidenced by a safekeeping receipt. Non-collateral, non-negotiable certificates of deposits, as allowed under Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank. At September 30, 2008 and 2007, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in Oakland CCMHA's name.

<u>Type of Investment</u>	<u>2008 Carrying Value</u>	<u>2007 Carrying Value</u>	<u>How Held</u>
Discount Commercial Paper	\$ 9,964,240	\$ 9,769,913	Counterparty
Fannie Mae notes	3,843,521	4,376,790	Counterparty
Federal Home Loan Bank notes	2,452,271	99,704	Counterparty
Freddie Mac notes	2,748,135	1,247,769	Counterparty
Federal Farm Credit notes	1,838,694	-	Counterparty
Other	300,000	-	Counterparty
	<u>\$21,146,861</u>	<u>\$15,494,176</u>	

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 2 - Deposits and Investments (Continued)

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Oakland CCMHA's investment policy states that Oakland CCMHA will not directly invest in securities that mature more than three years from the date of purchase unless matched to a specific cash flow need. Funds with longer-term horizons may be invested in securities exceeding the three-year limitation provided that maturity dates coincide as near as possible with the expected use of the funds. As of September 30, 2008 and 2007, the respective average maturities of investments are as follows:

2008 <u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>Carrying Value</u>	<u>Less than One Year</u>	<u>One to Three Years</u>
Discount Commercial Paper	\$ 9,964,240	\$ 9,964,240	\$ -
Fannie Mae notes	3,843,521	3,334,926	508,595
Federal Home Loan Bank notes	2,452,271	2,452,271	-
Freddie Mac notes	2,748,135	2,748,135	-
Federal Farm Credit notes	1,838,694	1,838,694	-
Other	300,000	300,000	-
	<u>\$21,146,861</u>	<u>\$20,638,266</u>	<u>\$508,595</u>
	100.0%	97.6%	2.4%
2007 <u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>Carrying Value</u>	<u>Less than One Year</u>	<u>One to Three Years</u>
Discount Commercial Paper	\$ 9,769,913	\$ 9,769,913	\$ -
Fannie Mae notes	4,376,790	4,376,790	-
Federal Home Loan Bank notes	99,704	99,704	-
Freddie Mac notes	1,247,769	1,247,769	-
	<u>\$15,494,176</u>	<u>\$15,494,176</u>	<u>\$ -</u>
	100.0%	100.0%	0.0%

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 2 - Deposits and Investments (Continued)

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. Oakland CCMHA's investment policy further limits its investment choices to those with a market rate of return during an economic and budgetary environment of stable rates. As of September 30, 2008 and 2007, the respective credit quality ratings of debt securities (other than the U.S. government) are as follows:

2008			
<u>Investment</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Discount Commercial Paper	\$ 9,964,240	P-1	Moody's
Fannie Mae notes	3,843,521	Aaa	Moody's
Federal Home Loan Bank notes	2,452,271	Aaa	Moody's
Freddie Mac notes	2,748,135	Aaa	Moody's
Federal Farm Credit notes	1,838,694	Aaa	Moody's
Other	<u>300,000</u>	MIGI	Moody's
	<u>\$21,146,861</u>		

2007			
<u>Investment</u>	<u>Carrying Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Discount Commercial Paper	\$ 9,769,913	P-1	Moody's
Fannie Mae notes	4,376,790	Aaa	Moody's
Federal Home Loan notes	99,704	Aaa	Moody's
Freddie Mac notes	<u>1,247,769</u>	Aaa	Moody's
	<u>\$15,494,176</u>		

Concentration of credit risk:

Oakland CCMHA's investment policy limits any single security type to 40 percent of the investment portfolio. The policy also limits the total invested assets to no more than 40 percent of invested assets issued or managed by a single financial institution. As of September 30, 2008, Oakland CCMHA has 26 percent of its total investment portfolio with Fifth Third Bank. As of September 30, 2008, Oakland CCMHA had the following percentages of the investment portfolio in the following security types: 25.8 percent in institutional money market funds, 35 percent in commercial paper, 13.5 percent in Fannie Mae funds, 9.6 percent in Freddie Mac funds, 8.6 percent in Federal Home Loan funds, and 7.5 percent in Federal Farm credit and other funds.

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 3 - Capital Assets

The capital assets additions, retirements, and balances in Oakland CCMHA's Enterprise Fund for the years ended September 30, 2008 and 2007 are as follows:

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2008</u>
Capital assets being depreciated:				
Computer equipment	\$ 744,644	\$ 34,742	\$ (39,021)	\$ 740,365
Furniture, fixtures, and equipment	99,350	-	-	99,350
Building	2,611,000	-	-	2,611,000
Building renovations	1,282,761	-	-	1,282,761
Residential buildings under capital lease	1,750	4,491,186	-	4,492,936
Subtotal	4,739,505	4,525,928	(39,021)	9,226,412
Less accumulated depreciation:				
Computer equipment	(375,932)	(148,559)	39,021	(485,470)
Furniture, fixtures, and equipment	(53,594)	(19,870)	-	(73,464)
Building	(348,133)	(87,033)	-	(435,166)
Building renovations	(167,655)	(42,759)	-	(210,414)
Residential buildings under capital lease	-	(130,795)	-	(130,795)
Subtotal	(945,314)	(429,016)	39,021	(1,335,309)
Net capital assets being depreciated	3,794,191	4,096,912	-	7,891,103
Land	839,000	-	-	839,000
Net capital assets	<u>\$4,633,191</u>	<u>\$4,096,912</u>	<u>\$ -</u>	<u>\$ 8,730,103</u>
Capital assets being depreciated:				
Computer equipment	\$1,794,133	\$ 95,563	\$(1,145,052)	\$ 744,644
Furniture, fixtures, and equipment	66,400	32,950	-	99,350
Building	2,611,000	1,750	-	2,612,750
Building renovations	1,282,761	-	-	1,282,761
Subtotal	5,754,294	130,263	(1,145,052)	4,739,505
Less accumulated depreciation:				
Computer equipment	(1,390,614)	(130,370)	1,145,052	(375,932)
Furniture, fixtures, and equipment	(34,822)	(18,772)	-	(53,594)
Building	(261,101)	(87,032)	-	(348,133)
Building renovations	(125,091)	(42,564)	-	(167,655)
Subtotal	(1,811,628)	(278,738)	1,145,052	(945,314)
Net capital assets being depreciated	3,942,666	(148,475)	-	3,794,191
Land	839,000	-	-	839,000
Net capital assets	<u>\$ 4,781,666</u>	<u>\$ (148,475)</u>	<u>\$ -</u>	<u>\$ 4,633,191</u>

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 4 - Defined Contribution Pension Plans

Oakland CCMHA participates in a qualified defined contribution pension plan under IRS Code Section 401(a) managed and administered by the I.C.M.A. Retirement Corporation. This pension plan was established by Oakland CCMHA to provide benefits at retirement to Oakland CCMHA's employees. Plan members are not required to contribute to the plan but have the option of contributing up to 5 percent of covered salary depending on the date of hire, transfer from Oakland County, and union contracts. Oakland CCMHA is required to contribute from 5 percent to 6 percent of covered payroll. Contributions made by Oakland CCMHA progressively vest over seven years. Plan provisions and contribution requirements are established and may be amended by Oakland CCMHA. Employer and employee contributions were made in the amount of \$283,897 and \$46,972, respectively, for the fiscal year ended September 30, 2008 and \$278,001 and \$53,634, respectively, for the fiscal year ended September 30, 2007.

Oakland CCMHA has also elected to participate in a qualified defined contribution pension plan under IRS Code Section 401(a) in lieu of social security contributions for full-time and eligible part-time employees. The plan is managed and administered by I.C.M.A. Retirement Corporation. The plan requires contributions from qualified employees at a rate of 6.2 percent and a matching contribution from Oakland CCMHA at a rate of 6.2 percent. Plan provisions and contribution requirements are established and may be amended by Oakland CCMHA. Both employee and employer contributions are 100 percent vested at the time of contribution. Employer and employee contributions were made in the amounts of \$312,910 and \$295,360 for the years ended September 30, 2008 and 2007, respectively.

Note 5 - Risk Management

Oakland CCMHA is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. During the years ended September 30, 2008 and 2007, Oakland CCMHA carried commercial insurance to cover all risk of losses, except for employee medical benefits, for which Oakland CCMHA is self-insured. Oakland CCMHA has had no settled claims resulting from these risks that exceeded their commercial coverage in the past. Oakland CCMHA has a stop-loss insurance policy for employee medical benefits of \$100,000 per specific claim per year/\$773,900 aggregate.

In addition to these coverages, Oakland CCMHA has established an Internal Service Fund to cover any potential operating shortfalls under the terms of its contract with the Michigan Department of Community Health. See Note 1 for a more detailed description of this fund.

Note 6 - Long-term Debt

	Balance September 30, <u>2007</u>	<u>Reductions</u>	Balance September 30, <u>2008</u>	Due Within <u>One Year</u>
Mortgage loan with a finance company, payable in annual installments of \$440,736, including interest at 4.72%, secured by building, improvements, and real estate, due on March 10, 2013	\$ 2,257,211	\$ (334,196)	\$ 1,923,015	\$ 349,969

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 6 - Long-term Debt (Continued)

	Balance September 30, <u>2006</u>	<u>Reductions</u>	Balance September 30, <u>2007</u>	Due Within <u>One Year</u>
Mortgage loan with a finance company, payable in annual installments of \$440,736, including interest at 4.72%, secured by building, improvements, and real estate, due on March 10, 2013	\$ 2,576,343	\$ (319,132)	\$ 2,257,211	\$ 334,195

The annual requirements to pay principal and interest on the outstanding loan obligations at September 30, 2008 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 349,969	\$ 90,767	\$ 440,736
2010	366,488	74,248	440,736
2011	383,786	56,950	440,736
2012	401,901	38,835	440,736
2013	420,871	19,865	440,736
	<u>\$1,923,015</u>	<u>\$280,665</u>	<u>\$2,203,680</u>

Note 7 - Lease Obligations

During 2008, Oakland CCMHA entered into a sublease agreement with Oakland County for the acquisition and sublease of residential buildings for Oakland CCMHA's consumers. Oakland County through its Oakland County Building Authority has issued \$5.5 million of Bonds for the purpose of purchasing consumer residences. The residences were then subleased by the County to Oakland CCMHA under a lease agreement expiring in 2027, when the bonds will be fully retired. Oakland CCMHA is responsible for all debt service on the bonds and will pay lease payments equivalent to the scheduled debt service payments. At the end of the lease, the Oakland County Building Authority will convey title to Oakland County who then agrees to convey title via quit claim deed to Oakland CCMHA without additional consideration from Oakland CCMHA. During 2008, consumer residential buildings in the amount of \$4,492,936 were purchased and leased to Oakland CCMHA. The remaining bond proceeds of \$1,003,314 has been recorded by the by Oakland CCMHA as restricted cash (Note 1) as of December 31, 2008. Consumer residential buildings have been capitalized and the related obligation recorded using the interest rate implicit in the lease, which is equal to the interest rate of the issued bonds. The assets are being depreciated over their useful lives. Capital assets include the following amounts as of September 30, 2008:

Residential buildings	\$4,492,936
Less accumulated depreciation	<u>(130,795)</u>
Net carrying amount	<u>\$4,362,141</u>

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 7 - Lease Obligations (Continued)

The following is a reconciliation of the future minimum lease payments to the recorded liability at September 30, 2008:

<u>Year Ending September 30</u>	<u>Amount</u>
2009	\$ 422,931
2010	414,931
2011	431,431
2012	422,431
2013	413,431
Thereafter	<u>5,678,928</u>
Total future minimum lease payments	7,784,083
Amount representing interest	<u>(2,459,083)</u>
Total obligation under capital lease	5,325,000
Less current portion	<u>200,000</u>
Long-term obligations under capital lease	<u>\$ 5,125,000</u>

Note 8 - Risk Reserve Fund Net Assets

Contributions to the Risk Reserve Internal Service Funds are considered eligible expenses under the MDCH contract, and accordingly are included on the statement of revenue, expenses, and changes in fund net assets in the various expenses categories. For the year ended September 30, 2008, contributions to the Operating Risk Reserve Internal Service Fund were \$2,356,243. During the year ended September 30, 2007, \$2,867,389 of general funds in the Operating Risk Reserve Internal Service Fund were transferred to the CMH Operation Fund and utilized for program expenses during the year.

Note 9 - Interfund Receivables, Payables and Transfers

Oakland CCMHA has the following interfund receivables and payable at September 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Fund - CMH Operations	\$ -	\$2,375,290	\$ -	\$1,771,028
Internal Service Fund - Operating Risk Reserve	<u>2,375,290</u>	<u>-</u>	<u>1,771,028</u>	<u>-</u>
Total	<u>\$2,375,290</u>	<u>\$2,375,290</u>	<u>\$1,771,028</u>	<u>\$1,771,028</u>

Transfers are made between the funds annually, to adjust the Internal Service Fund balance to the required amount.

Oakland County Community Mental Health Authority

Notes to Financial Statements September 30, 2008 and 2007

Note 10 - State General Fund Revenue

In 2007, there existed State General Fund program funds received in excess of General Fund program expenses by approximately \$1 million. The excess is allowed to be retained by Oakland CCMHA and expended on program needs in the next year. This amount is reflected as deferred revenue at September 30, 2007. This 2007 excess was spent on program needs in 2008 and is reflected in the state General Fund revenue in 2008.

Note 11 - Contingencies

During a financial and compliance audit performed in 2007 by the State DCH of the ISF Fund for the fiscal year ended September 30, 2005, the State DCH preliminarily disallowed the General Funds ISF in the amount of \$2,642,941 and the Medicaid ISF in the amount of \$5,224,044. Oakland CCMHA is currently vigorously disputing the disallowance based on the belief that Oakland CCMHA has appropriately supported the ISF Funds with historical data coupled with an estimate of the future as allowed under current state guidance. Oakland CCMHA also believes there is other precedence that has been set confirming the methodology used by Oakland CCMHA to support the ISF amounts. No additional discussions have occurred between the State DCH and Oakland CCMHA. No provision for potential payback has been recorded as of September 30, 2008 or 2007.

Supplemental Information

Oakland County Community Mental Health Authority

	2008		
	Original Budget	Final Budget	Actual
Operating revenues:			
Medicaid - Specialty managed care capitation	\$ 197,206,562	\$ 203,655,967	\$ 204,517,040
Medicaid - Child waiver	1,100,000	1,100,000	1,464,554
State General Fund	44,732,139	43,706,274	41,999,654
Adult benefit waiver	2,031,123	1,674,525	2,065,575
State facilities	4,425,296	6,165,174	6,192,015
Transfers from Oakland County	9,620,616	9,620,616	9,620,616
MI child	135,302	135,302	133,936
Other revenue	6,000	6,000	102,739
Categorical	500,794	500,794	507,394
OBRA reimbursement	468,201	468,201	544,085
Grant revenue	1,018,013	1,242,659	898,005
Title XX	75,410	75,410	75,410
Total operating revenues	261,319,456	268,350,922	268,121,023
Operating expenses:			
Program expenses:			
OCCMHA administration	9,775,169	9,775,169	9,373,470
Macomb Oakland Regional Center	121,931,511	122,173,542	122,082,336
Training and Treatment Innovations	16,335,874	16,890,598	16,566,294
Easter Seals	31,295,301	30,160,620	28,650,731
Common Ground Sanctuary	8,684,333	8,995,937	8,896,773
Community Housing Network	4,846,766	5,582,634	5,592,884
Community Network Services	28,024,381	28,711,895	28,619,494
Community Living Services	4,097,959	5,190,245	5,324,732
State facilities	6,850,218	8,376,773	8,264,790
Community hospitals	10,200,000	10,801,491	9,880,010
Substance abuse	2,314,920	2,314,920	1,828,404
Purchased care services	3,060,132	4,220,132	2,696,661
Grants	1,018,013	1,242,659	898,005
Local match transfer	2,377,116	2,377,116	2,377,120
Quality Assurance Assessment (QAAP)	11,083,009	11,903,653	11,486,763
Non-program expenses - Depreciation	296,972	296,972	429,017
Total operating expenses	262,191,674	269,014,356	262,967,484
Operating income (loss)	(872,218)	(663,434)	5,153,539
Nonoperating revenues (expense):			
Interest income	1,492,707	1,158,343	942,154
Interest expense	(620,489)	(494,909)	(357,626)
Total nonoperating revenues	872,218	663,434	584,528
Income before transfers	-	-	5,738,067
Transfers	-	-	(2,356,243)
Change in net assets	-	-	3,381,824
Net Assets - Beginning of year	24,166,538	24,166,538	24,166,538
Net Assets - End of year	\$ 24,166,538	\$ 24,166,538	\$ 27,548,362

**Statements of Revenues, Expenses, and Changes
in Fund Net Assets - Enterprise Fund - Budget to Actual
For the Years Ended September 30, 2008 and 2007**

2007			
Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 861,073	\$ 191,575,440	\$ 192,965,715	\$ 1,390,275
364,554	1,000,000	1,265,683	265,683
(1,706,620)	44,659,243	40,391,742	(4,267,501)
391,050	2,031,123	2,114,882	83,759
26,841	4,425,296	4,419,670	(5,626)
-	9,620,616	9,620,616	-
(1,366)	135,302	134,323	(979)
96,739	6,000	(312,611)	(318,611)
6,600	500,794	500,794	-
75,884	468,201	508,647	40,446
(344,654)	1,018,013	943,326	(74,687)
-	75,410	75,409	(1)
(229,899)	255,515,438	252,628,196	(2,887,242)
401,699	9,499,618	9,321,009	178,609
91,206	119,635,159	118,576,086	1,059,073
324,304	16,174,133	15,676,281	497,852
1,509,889	29,445,629	29,049,049	396,580
99,164	8,251,815	7,867,727	384,088
(10,250)	5,150,838	5,156,052	(5,214)
92,401	27,944,930	27,960,838	(15,908)
(134,487)	3,512,831	3,257,260	255,571
111,983	6,850,218	6,348,825	501,393
921,481	10,200,000	9,527,393	672,607
486,516	2,014,920	1,914,462	100,458
1,523,471	3,047,314	2,628,219	419,095
344,654	1,018,013	943,326	74,687
(4)	2,377,116	2,377,121	(5)
416,890	11,517,692	11,406,621	111,071
(132,045)	238,324	278,738	(40,414)
6,046,872	256,878,550	252,289,007	4,589,543
5,816,973	(1,363,112)	339,189	1,702,301
(216,189)	1,492,707	1,426,289	(66,418)
137,283	(129,595)	(112,817)	16,778
(78,906)	1,363,112	1,313,472	(49,640)
5,738,067	-	1,652,661	1,652,661
(2,356,243)	-	2,867,389	2,867,389
3,381,824	-	4,520,050	4,520,050
-	19,646,488	19,646,488	-
\$ 3,381,824	\$ 19,646,488	\$ 24,166,538	\$ 4,520,050

Oakland County Community Mental Health Authority

	2008		
	Original Budget	Final Budget	Actual
Salaries and benefits	\$ 7,492,412	\$ 7,492,412	\$ 6,971,457
Accreditation	1,000	1,000	4,800
Advertising	19,598	19,598	13,647
Accounting and auditing services	60,000	60,000	72,814
Communications	46,070	46,070	52,093
Contracted services	65,033	65,033	66,771
Consulting services	410,053	410,053	319,985
Consumer initiatives	46,280	46,280	43,004
Copier charges	59,447	59,447	64,578
Expendable furniture and equipment	151,682	151,682	113,184
Memberships, dues, and publications	20,271	20,271	38,208
Information systems operations	17,553	17,553	37,925
Insurance	122,271	122,271	210,026
Legal services	23,913	23,913	24,807
Licenses and permits	92,400	92,400	76,313
Medical exams	-	-	1,458
Mileage	60,362	60,362	57,449
Miscellaneous	1,613	1,613	1,346
Per diems and fees	83,148	83,148	80,087
Postage	47,456	47,456	44,915
Printing	30,164	30,164	46,993
Provisions	23,632	23,632	23,894
Repairs and maintenance	608,012	608,012	673,287
Supplies	54,044	54,044	57,623
Transportation	484	484	1,450
Travel and conference	41,133	41,133	47,141
Training	125,137	125,137	156,561
Utilities	72,001	72,001	71,654
Total administrative expenses	\$ 9,775,169	\$ 9,775,169	\$ 9,373,470

Schedules of Administrative Expenses - Enterprise Fund
Budget to Actual
For the Years Ended September 30, 2008 and 2007

Variance Favorable (Unfavorable)	2007		Variance Favorable (Unfavorable)
	Final Budget	Actual	
\$ 520,955	\$ 6,873,335	\$ 6,788,579	\$ 84,756
(3,800)	-	-	-
5,951	14,263	21,542	(7,279)
(12,814)	68,112	79,549	(11,437)
(6,023)	50,344	58,388	(8,044)
(1,738)	49,472	78,378	(28,906)
90,068	681,753	626,083	55,670
3,276	25,185	44,359	(19,174)
(5,131)	61,476	59,176	2,300
38,498	262,945	47,710	215,235
(17,937)	16,937	46,416	(29,479)
(20,372)	21,123	18,951	2,172
(87,755)	194,459	45,479	148,980
(894)	34,963	31,505	3,458
16,087	41,993	82,954	(40,961)
(1,458)	700	-	700
2,913	55,538	62,953	(7,415)
267	1,285	64	1,221
3,061	8,493	81,806	(73,313)
2,541	39,986	48,036	(8,050)
(16,829)	70,964	41,313	29,651
(262)	28,950	22,190	6,760
(65,275)	580,173	694,579	(114,406)
(3,579)	54,899	54,342	557
(966)	2,640	3,683	(1,043)
(6,008)	41,487	38,507	2,980
(31,424)	157,654	173,791	(16,137)
347	60,489	70,676	(10,187)
\$ 401,699	\$ 9,499,618	\$ 9,321,009	\$ 178,609

Oakland County Community Mental Health Authority

**Federal Awards
Supplemental Information
September 30, 2008**

Oakland County Community Mental Health Authority

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Independent Auditor's Report

To the Members of the Board
Oakland County Community
Mental Health Authority

We have audited the financial statements of the business-type activities of Oakland County Community Mental Health Authority as of and for the year ended September 30, 2008, which collectively comprise Oakland County Community Mental Health Authority's basic financial statements, and have issued our report thereon dated February 23, 2009. Those basic financial statements are the responsibility of the management of Oakland County Community Mental Health Authority. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Oakland County Community Mental Health Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

February 23, 2009

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Members of the Board
Oakland County Community
Mental Health Authority

We have audited the financial statements of the business-type activities of Oakland County Community Mental Health Authority as of and for the year ended September 30, 2008, which collectively comprise Oakland County Community Mental Health Authority's basic financial statements, and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oakland County Community Mental Health Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oakland County Community Mental Health Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Oakland County Community Mental Health Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Members of the Board
Oakland County Community
Mental Health Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland County Community Mental Health Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 23, 2009

Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133

To the Members of the Board
Oakland County Community
Mental Health Authority

Compliance

We have audited the compliance of Oakland County Community Mental Health Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2008. The major federal program of Oakland County Community Mental Health Authority is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Oakland County Community Mental Health Authority's management. Our responsibility is to express an opinion on Oakland County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oakland County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oakland County Community Mental Health Authority's compliance with those requirements.

In our opinion, Oakland County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

To the Members of the Board
Oakland County Community
Mental Health Authority

Internal Control Over Compliance

The management of Oakland County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oakland County Community Mental Health Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

February 23, 2009

Oakland County Community Mental Health Authority

Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

Federal Agency/Pass-through Agency/Program Title	Contract Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through the Michigan Department of Community Health:			
Shelter Plus Care	20080577-1	14.238	\$ 149,321
Shelter Plus Care	20080576-1	14.238	<u>289,142</u>
Total Shelter Plus Care			438,463
U.S. Department of Health and Human Services - Passed through the Michigan Department of Community Health:			
PATH Grant	20080516	93.150	40,000
PATH Grant	20080517	93.150	<u>84,770</u>
Total PATH Grant			124,770
Block Grants for Community Mental Health Services:			
Access Program Guide	20081805	93.958	11,278
CHN Housing Transition Training for Adults	20081805	93.958	70,105
Comfort Zone Drop In	20081805	93.958	4,800
Community Network Services Anti-Stigma	20081805	93.958	37,531
Crisis Recovery Living Room	20081805	93.958	70,566
Evidence-based Supported Employment	20081805	93.958	10,165
Evidence-based Supported Employment	20082802	93.958	10,521
Oakland Coordinated Housing Residential Center	20081805	93.958	29,366
South Oakland Drop In	20081805	93.958	8,820
Supported Housing for Young Adults	20081805	93.958	<u>32,660</u>
Total Block Grants for Community Mental Health Services			285,812
Medical Assistance Program - OBRA/PASARR	N/A	93.778	<u>385,329</u>
Total U.S. Department of Health and Human Services			<u>795,911</u>
Total federal awards			<u><u>\$ 1,234,374</u></u>

Oakland County Community Mental Health Authority

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Oakland County Community Mental Health Authority and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Reconciliation to Fund Financial Statements

OBRA reimbursement	\$ 544,085
Grant revenue	<u>898,005</u>
Total	1,442,090
Less state funding of OBRA reimbursements and grants	<u>207,716</u>
Federal revenue per the schedule of expenditures of federal awards	<u><u>\$ 1,234,374</u></u>

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Amounts Provided to Subrecipient
U.S. Department of Housing and Urban Development - Passed through the Michigan Department of Community Health - Shelter Plus Care	14.238	\$ 438,462
U.S. Department of Health and Human Services: Passed through the Michigan Department of Community Health:		
PATH Grant	93.150	124,770
Block Grants for Community Mental Health Services	93.958	275,290
Medical Assistance Program	93.778	<u>381,485</u>
Total federal expenditures transferred		<u><u>\$ 1,220,007</u></u>

Oakland County Community Mental Health Authority

Schedule of Findings and Questioned Costs Year Ended September 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
93.778	Medical Assistance Program - OBRA/PASARR

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Oakland County Community Mental Health Authority

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
	None

Section III - Federal Program Audit Findings

Reference Number	Findings
	None

February 23, 2009

To the Board of Directors
Oakland County Community Mental Health Authority

We have audited the financial statements of Oakland County Community Mental Health Authority (Oakland CCMHA) for the year ended September 30, 2008, and have issued our report thereon dated February 23, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 22, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Oakland County Community Mental Health Authority. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

We are also responsible for communicating any findings in regard to Circular A-133 audit or Circular A-87 audit.

Our audit of Oakland County Community Mental Health Authority's financial statements has also been conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Under those Government Auditing Standards, we have made some assessments of Oakland County Community Mental Health Authority's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated February 23, 2009, regarding our consideration of the Oakland County Community Mental Health Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of Oakland County Community Mental Health Authority, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, Government Auditing Standards requires disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on November 7, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Oakland County Community Mental Health Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2008.

We noted no transactions entered into by the organization during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements are the settlement receivable and/or payables related to the contracts with the core providers and the payables related to the state facilities and community hospitals.

Management's estimate of the core provider settlements is currently recorded based on the difference between the contract not to exceed amount and the actual amount of the expenditures provided by the core provider to Oakland CCMHA. Management's estimate of the payables related to the state facilities and community hospitals is based on the approved charges incurred prior to year end that are available to be billed to Oakland CCMHA in the subsequent year. During fiscal year 2007, there was also a compliance audit performed by the

Michigan Department of Community Health of the fiscal year 2005 contract in which MDCH preliminarily disallowed the ISF (General Fund and Medicaid) of approximately \$7.8 million. Management has determined that the initial disallowance will be resolved in Oakland CCMHA's favor; therefore no liability for this contingency has been recorded at year end. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the fund financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the organization we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the organization, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the organization's auditors.

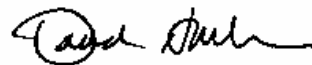
Other Information in Documents Containing Audited Financial Statements

Our responsibility relates to the organization's financial statements and other information as identified in the auditor's report. We have no responsibility for any other information that may be included in documents containing those audited statements. We do not have an obligation to perform any procedures to corroborate other information contained in these documents. We know of no other documents containing the organization's audited financial statements.

This information is intended solely for the use of Board of Directors and management of Oakland County Community Mental Health Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", written in a cursive style.

Tadd Harburn, CPA